



March 9, 2009

Hon. Jerry Sanders
Mayor, City of San Diego
202 C Street, 11th floor
San Diego, CA 92101

RE: Conditional Support for Proposed Waste, Recycling, and Hauling Related Fee Increases

Dear Mr. Mayor:

Representatives of Allied Waste ("Allied") have met during these past few weeks with your senior financial, operating managers and other senior staff in your offices regarding the Environmental Services Department's proposed fee and franchise changes applicable to commercial waste hauling, and commercial and residential disposal fee increases in the City of San Diego. Your staff also separately met with EDCO, Waste Management and other industry interests regarding these matters.

With the help of your staff, some of the suggested measures were materially changed, or altogether eliminated, for a variety of financial and practical reasons.

Without going into detail regarding our concerns to the originally proposed measures, this letter will advise you of our 'conditional support' for the revised fee increases which are now recommended by your office. Notwithstanding this conditional support, we wish to advise you of certain mutually agreed upon concerns that arose during our discussions with your executive staff:

- The support for this proposal is one time and only in response to the last minute emergency financial condition of the City. The continuation of the commercial only loaded fee structure of the existing City waste disposal platform is not sustainable. And, we believe the continuation of fee structures which do not provide for support, or relief, to the City's General Fund for more active management of this sector from the Mayor's office must be changed.
- The difficult and inconsistent nature of this years last hour plan(s) was/were evidenced by: proposals that would have both attempted to raise commercial haulers fees, and terminate those same hauler franchise contracts at the very same time; and, by fee proposals that would have assessed fees for waste disposed by out of City waste haulers at commercial landfills in the City even though the City has no legal (franchise) relationship with such haulers and the mechanism suggested would be inconsistent with the Facility Franchise Agreement between the City and Allied regarding the Sycamore commercial landfill. And, even if that proposal could have been implemented, it would likely have resulted in millions of dollars in losses to the General Fund.
- Other Southern California waste and landfill industries and markets are abandoning the San Diego commercial loaded fee assessment model across the board.
- Your offices' ability to effectively manage the City's waste disposal programs requires the creation of closer economic and operating models developed between the private sector participants and the Mayor, CFO and City Council. Real cost reductions and management and operating efficiencies in the City's waste departments, not just commercial fee increases and account shifting, must be developed to address the financial and operating realities facing the City. Separate Fund analysis, and possible reforms, should also be considered. This developing model needs to be the subject of discussions beginning early, and continuing regularly, in FY '10. The purpose of these meetings will be to establish a reliable multi year model addressing fees, hauling and

collection, and related waste disposal issues consistent with existing franchise agreements.

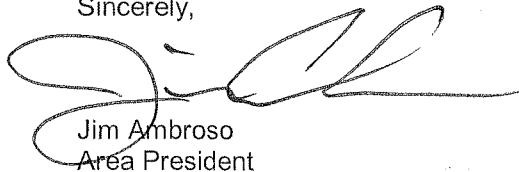
With the above in mind, we have agreed to support the fee proposal now recommended by your office, conditioned upon the following:

- The City will not terminate the commercial hauling non-exclusive franchise agreements as recently announced, but rather will abide by its earlier proposal, which calls for a 7-year franchise term with automatic evergreen 1 year extensions unless (a) termination notice(s) are timely given to any affected hauler not later than July 1 of each fiscal year. This franchise extension program will begin July 2, 2009.
- The earlier proposed imposition of City assessed fees on non-city waste at Sycamore landfill will not occur.
- We will begin a 'Phase II' discussions by coordinating meetings with representatives of the Mayor's and CFO's office, and the Natural Resources & Culture committee of the City Council, not less than bi-monthly beginning July 1, 2009, to develop a future reliable, multi year model for commercial hauling franchises and waste related fees, and to identify operating improvements which could bring efficiencies to City operations in the waste hauling and disposal process in San Diego, including but not limited to: the possible consolidation of now separate City waste funds; the development of a more current Solid Waste Plan including long term solutions, financial needs and funding sources, and the possible freeing up of capital reserves; and, the structural options for managed competition opportunities; and, a review of the scope of multi family service under existing ordinances and Council policies. It is our intent to develop such revised models and efficiencies to enable substantive agreements before the City's FY '11 budget deliberations. To advance this agenda, the Mayor's office will continue to make available those senior financial, operating managers, and other senior staff from the Mayor's office who will also continue to timely facilitate obtaining all requested City waste operations information, including financial and operations materials, in order that these discussions occur with the greatest level of informational transparency. Similar support assurances will be sought from the Natural Resources & Culture committees.

We are committed to our support for your current fee proposal in order to be able to engage your office at the management level on the universe of waste and recycling hauling, disposal and fee issues in a manner consistent with our franchise agreement.

We appreciate your interest and commitment to our mutual efforts, and believe those efforts will reward your office and the City as you deal with the City's financial issues and your commitment to this most elemental of public services.

Sincerely,



Jim Ambroso
Area President

cc: Erik W. Caldwell, Policy Advisor
Julie Dubick, Policy Advisor
Hon. Donna Frye, Chair, NR& C
Kris Michell, COS
Nader Tirandazi, Dir. Of Financial Management